HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Windsor CMA

CANADA MORTGAGE AND HOUSING CORPORATION

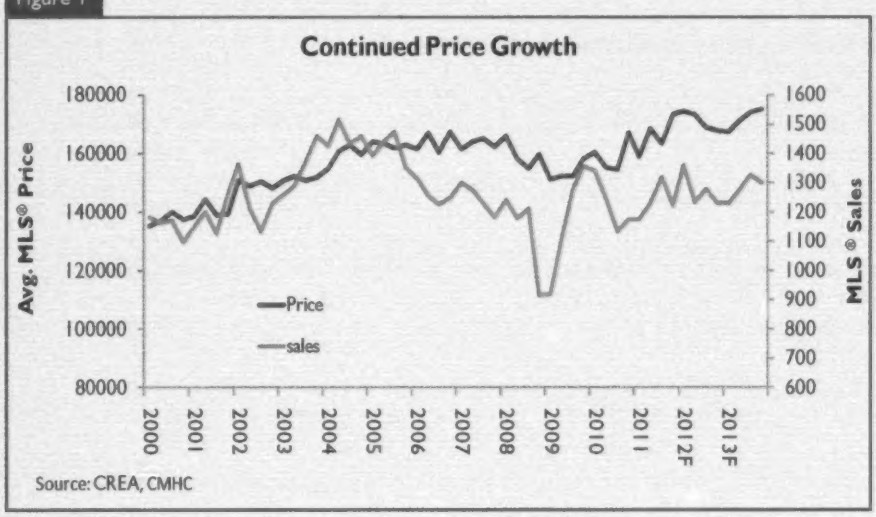
Date Released: Fall 2012

Market at a Glance

- Existing homes sales will slow moderately in the second half of 2012, before picking up again in the second half of 2013.
- Housing starts will end 2012 at the highest level in five years and rise further next year.
- The average MLS® price will stabilize in the last quarter of 2012 and maintain gains in 2013.

Figure 1

Continued Price Growth



Source: CREA, CMHC

* The forecasts included in this document are based on information available as of October 17, 2012.

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Resale Market

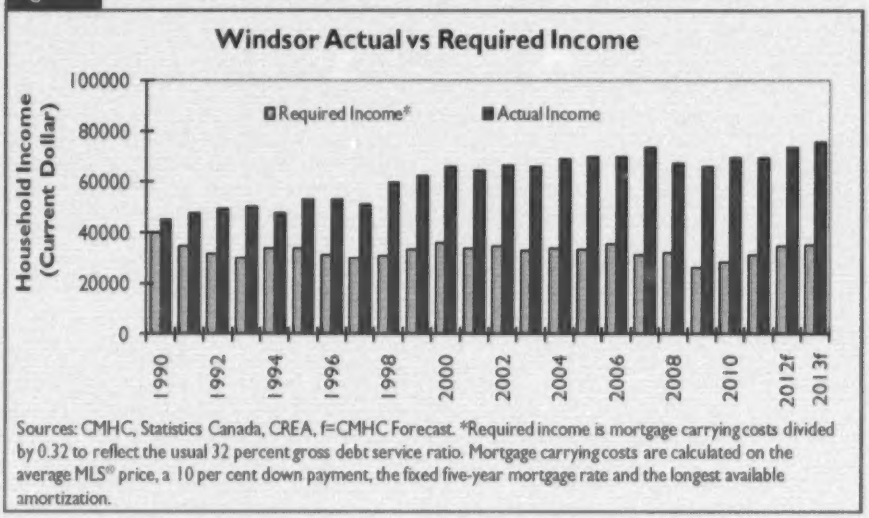
Demand for resale homes to rise slightly

Existing home sales activity will trend slightly lower in the fourth quarter of 2012 in the Windsor-Essex market but higher sales activity which occurred in the first half of the year will result in annual growth of over two per cent. Sales growth will strengthen again in the second half of 2013, as the economic recovery in the U.S results in local job growth.

New listings, a measure of supply, have been declining for several years as homeowners refrained from listing their property due to the lack of equity gains. The lag between owners' recognition of market gains and listing their home creates a shortage of available supply for buyers searching for properties, which in turn puts upward price pressure on desirable properties. This has been a contributing factor to the rise in average prices in Windsor in 2012. The sales-to-new-listings ratio (SNLR) peaked in February and August, in concert with strong annualized price growth, but remained in balanced territory. In 2013 the market will maintain balance as more homeowners, confident of recent prices gains, list their homes at a rate that matches increases in sales.

The relatively low income required to access ownership is one of the main factors propelling Windsor's housing market forward. The income required to carry a mortgage on an average-priced resale home in the Windsor area in proportion to the actual average household income is lower than any major market in Ontario and is one of the main factors for those considering relocating. Income growth in 2012 and 2013 will outpace average house price growth, which will support demand for housing.

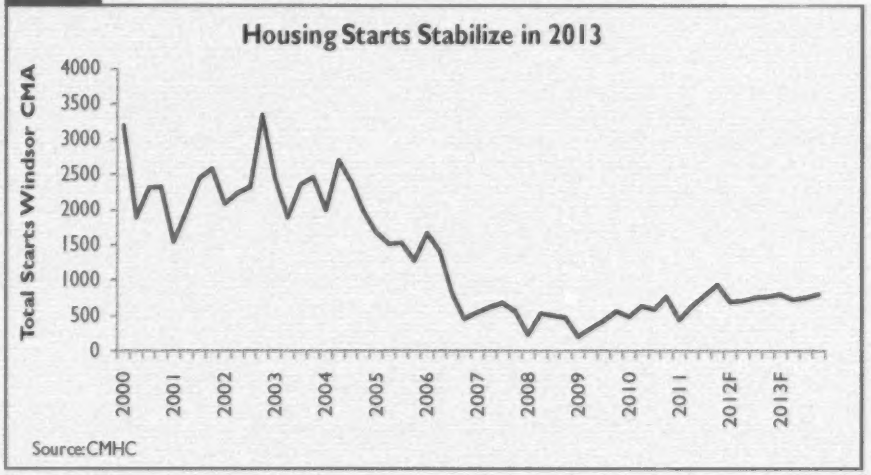
Figure 2



Sources: CMHC, Statistics Canada, CREA, f=CMHC Forecast. *Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 percent gross debt service ratio. Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization.

Two main factors contributed to the rise in average prices. This includes a decline in listings, and fewer first-time buyers. As mentioned, a lack of price growth reduced the number of homes put on the market, but listings were also reduced as the number of people leaving became less than the number of people moving to Windsor in 2011. In 2012, the number of first-time home buyers who generally purchase homes in the lower price ranges was smaller in Windsor. Changes in borrowing rules meant that first-time buyers had to save longer for a down payment and net migration remained negative for those under 45 years of age (from which the bulk of first-time buyers are drawn). Greater

Figure 3



Source: CMHC

employment opportunities in 2013 will attract more migrants to the Windsor area, including first-time homebuyers, which will result in a more modest increase in the average price next year.

New Home Market

Singles push starts higher in 2013

New residential construction will continue its upward trend in the Windsor CMA in 2012 and 2013 as a stronger recovery in single-detached construction outweighs fewer semi-detached, townhouse and apartment starts. Greater employment, increasing incomes, population growth and less choice in the resale market will prompt the new construction.

The New Housing Price Index, which measures changes in the price of the same home with the same lot size, will increase slightly faster than the rate of inflation in 2012 following two years of decline. In contrast, the average new single-detached home price will be lower in 2012 as consumer's preferences shifted down to homes in the $250-299,999 range in all markets within the CMA due to changes in borrowing criteria and financial prudence. Price growth will resume in 2013 as a combination of cost pressures and a greater share of sales above $300,000 contribute to an average new price of $326,000.

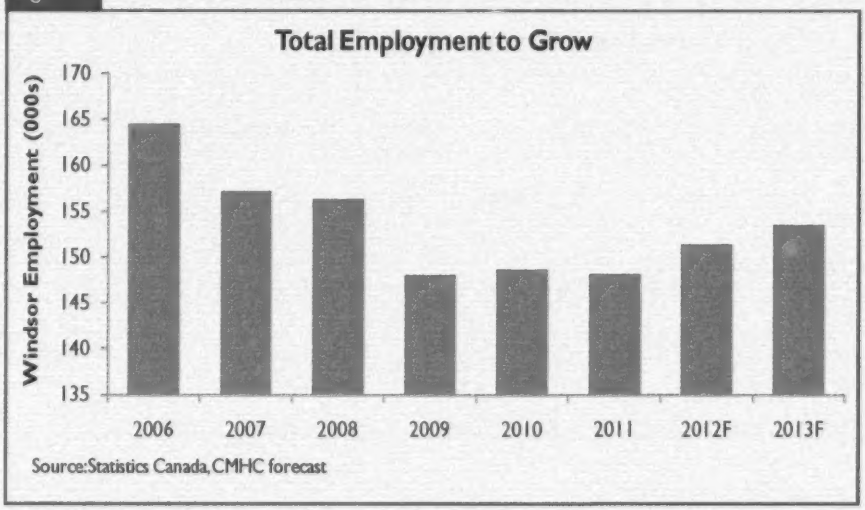
Construction of townhomes will be slightly lower in 2012 and 2013 in the Windsor CMA as activity will be trending down from last year's peak. However, in the longer term, interest from empty nesters and move-down buyers will support demand for this housing type. According to Retire Here, their campaign is attracting new residents, who are drawn by the region's affordability, weather, amenities and lifestyle and have spent more than $225 million on real estate in the Windsor-Essex area, . Apartment rental construction will continue to be limited by the high vacancy rate which, although declining, is a deterrent to new investment.

Local Economy Revving Up

Employment in the Windsor CMA will expand at a faster pace than the provincial average in 2012 and 2013, buoyed by the recovery in consumer spending south of the border. Recent contract settlements in the auto sector will result in a local boost to the economy from the 13,000 auto workers, many of whom put major purchasing decisions on hold. . Minivan production is on target to surpass last year by over 15 per cent. And, Ontario auto sector production is set to continue expanding in 2013, thanks to pent-up demand in the US market and the need replace aging vehicles, which will contribute to an increase local auto parts production. Due to the Windsor-Essex's areas inter-relationship with the U.S., the area will benefit from the outlook of a stronger economy in the second half of 2013. Employment in non-residential construction on the Windsor-Essex Parkway continues and the International crossing is one step closer with the agreement of understanding signed between the two countries.

Many Windsorites benefit from the job growth across the bridge, especially in sectors such as Information and Communication Technology (ICT) and Healthcare. As such the unemployment rate will trend down to under nine per cent by the end of the forecast period.

Figure 4



Mortgage Rate Outlook

Mortgage rates to remain low

Although there is significant uncertainty, mortgage rates are not expected to change in 2012. Slight increases are expected in 2013, but rates will remain low by historical standards.

According to CMHC's base case scenario, for 2012, the one-year mortgage rate is forecasted to be within 2.75 per cent to 3.50 per cent. For 2013, the one-year posted mortgage rate is expected to rise and be in the 3.00 per cent to 4.00 per cent range, while the five-year posted mortgage rate is forecasted to be within 5.00 per cent to 5.75 per cent, consistent with higher employment and economic growth prospects in 2013.

Forecast Summary Windsor CMA Fall 2012	2009	2010	2011	2012f	% chg	2013f	% chg
Resale Market							
MLS® Sales	4,661	4,893	4,946	5,050	2.1	5,100	1.0
MLS® New Listings	10,133	10,058	9,749	9,500	-2.6	9,900	4.2
MLS® Average Price ($)	153,691	159,347	166,008	171,000	3.0	172,000	0.6
New Home Market							
Starts:							
Single-Detached	303	460	466	560	20.2	575	2.7
Multiples	88	157	253	170	-32.8	195	14.7
Semi-Detached	14	26	92	36	-60.9	60	66.7
Row/Townhouse	68	89	153	126	-17.6	120	-4.8
Apartments	6	42	8	8	0.0	15	87.5
Starts - Total	391	617	719	730	1.5	770	5.5
Average Price ($):							
Single-Detached	309,030	326,173	331,494	320,500	-3.3	326,000	1.7
New Housing Price Index (% chg.)	0.1	-0.8	-3.1	3.0	-	1.0	-
Rental Market							
October Vacancy Rate (%)	13.0	10.9	8.1	7.8	-0.3	7.7	-0.1
Two-bedroom Average Rent (October) ($)	747	752	753	760	-	765	-
Economic Overview							
Mortgage Rate (1 year) (%)	4.02	3.49	3.52	3.37	-	3.78	-
Mortgage Rate (5 year) (%)	5.63	5.61	5.37	5.26	-	5.37	-
Annual Employment Level	148,100	148,700	148,200	151,400	2.2	153,500	1.4
Employment Growth (%)	-5.3	0.4	-0.3	2.2	-	1.4	-
Unemployment rate (%)	13.8	11.5	9.6	9.4	-	9.1	-
Net Migration	-2,203	-264	-516	400	-	600	-

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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